

## Message Text

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PAGE 01 STATE 107528  
ORIGIN SS-25

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DRAFTED BY EUR/EE:CWSCHMIDT/RN

APPROVED BY EUR:JAARMITAGE

EP/EWT:HCLARKE

L/EB:PTRIMBLE

STR:FEKETEKUTY

TREASURY:PSUCHMAN

COMMERCE:AJENKINS

S/S-O:RPERITO

-----131453Z 101949 /43

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST PRIORITY

INFO USDEL MTN GENEVA

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EXDIS, GENEVA FOR CULBER

E.O. 11652: MTN

TAGS:ETRD, EEWHT, HU

SUBJECT: TECHNICAL TRADE TALKS WITH HUNGARIANS

REF: BUDAPEST 1304

1. IN APPARENT FOLLOW-UP TO PROPOSAL OF NYERGES (REFTEL)  
TO EXPLORE WITH US VARIOUS GATT AND TRADE-RELATED ISSUES  
WHICH MIGHT ARISE WERE HUNGARY TO PURSUE MFN UNDER TERMS  
OF TRADE ACT, AMBASSADOR ESZTERGALYOS HAS SUGGESTED TO US  
THAT, WITHOUT PUBLICITY, TECHNICAL-LEVEL TALKS BE HELD TO  
CLARIFY CERTAIN TRADE QUESTIONS HIS GOVERNMENT HAS. ESZTER-  
GALYOS SAID HE BELIEVED IT WOULD BE BEST TO LOOK AT THESE  
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PAGE 02 STATE 107528

TECHNICAL ISSUES BEFORE THE "POLITICAL" ISSUES WERE AD-  
DRESSED.

2. FOLLOWING UP ON REMARKS CITED ABOVE, HUNGARIAN DCM  
KOVACS INVITED EUR/EE DEPUTY DIRECTOR SCHMIDT TO LUNCH  
MAY 5 TO PURSUE SUBJECT. KOVACS SAID HE BELIEVED HUNGARY'S  
INTEREST IN OBTAINING MFN "UNDER ACCEPTABLE CONDITIONS"

WAS WELL KNOWN; IT HAD BEEN EXPRESSED TO USG REPRESENTATIVES OVER THE PAST YEARS AT EVERY APPROPRIATE OPPORTUNITY. NOW, AS THEIR TRADE WITH US SHOWED SIGNS OF FURTHER EXPANSION AND PROMOTION EFFORTS WERE UNDERTAKEN, SUCH AS "HUNGARIAN TECHNICAL DAYS" PLANNED FOR FALL 1977, THE IM-

PORANCE OF MFN IN PRACTICAL TERMS WAS INCREASING. FURTHERMORE, KOVACS SAID, RESPONSES BY HIGH-LEVEL USG OFFICIALS, INCLUDING MEMBERS OF CONGRESS, ON SUBJECT OF MFN FOR HUNGARY IN RECENT MONTHS SEEMED TO BE INCREASINGLY ENCOURAGING. THEREFORE, HUNGARIAN SIDE WOULD BE INTERESTED NOW IN CLARIFYING VARIOUS POINTS RELATED TO TRADE ASPECTS OF TITLE IV OF THE US TRADE ACT. FOR THIS PURPOSE, IT MIGHT BE POSSIBLE TO HAVE HUNGARIAN EXPERT OR EXPERTS COME TO WASHINGTON.

3. IN RESPONSE TO KOVACS, SCHMIDT SAID WE WERE AWARE OF A NUMBER OF DETAILED, SPECIFIC QUESTIONS WHICH JANOS NYERGES HAD POSED TO EMBASSY BUDAPEST ECONOFFICER IN BUDAPEST ON APRIL 20. SCHMIDT SAID THAT WHILE QUESTION OF MFN FOR HUNGARY WAS A POLICY MATTER WHICH HAD NOT YET BEEN ADDRESSED PER SE BY THE NEW US ADMINISTRATION, WE WOULD LIKE TO RESPOND TO THE TECHNICAL TRADE QUESTIONS RELATED TO THE GATT AND TO TITLE IV (ESPECIALLY SECTION 405) WHICH NYERGES HAD RAISED. SINCE THESE WERE COMPLEX QUESTIONS, INVOLVING LEGAL AND OTHER CONSIDERATIONS, WE BELIEVE THAT CERTIFICATION SOUGHT BY HUNGARIAN SIDE COULD BEST BE PROVIDED THROUGH CAREFUL DISCUSSIONS AT EXPERT LEVEL IN WASHINGTON. WE TOO WOULD WANT TO KEEP SUCH

CONFIDENTIAL

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PAGE 03 STATE 107528

DISCUSSIONS INFORMAL, LOW-KEY, AND WITHOUT PUBLICITY. WE WOULD WISH TO LEAVE FOR LATER ANY CLARIFICATION HUNGARIAN SIDE MIGHT WISH TO HAVE CONCERNING SO-CALLED "POLITICAL" QUESTIONS RELATED TO TRADE ACT SECTION 402, NAMELY WAIVER PROCEDURE. KOVACS NOTED THAT, IN ANY CASE, SUCH QUESTIONS WERE MORE WITHIN THE RESPONSIBILITY OF MFA THAN OF NYERGES AND TRADE MINISTRY.

4. SCHMIDT NOTED (A) INTEREST AND CONCERNS EXPRESSED RECENTLY BY HUNGARIAN OFFICIALS (E.G., NYERGES TO HARTMAN DURING LATTER'S RECENT VISIT) CONCERNING ACCESS TO US MARKET, AND (B) USG WILLINGNESS TO CONSULT ON PROPOSED COUNTERVAILING DUTY (CVD) REGULATIONS CONCERNING NON-MARKET ECONOMY COUNTRIES. IN LIGHT OF THESE FACTORS, IT MIGHT BE WELL TO TAKE ADVANTAGE OF PRESENCE OF HUNGARIAN TRADE EXPERTS IN WASHINGTON TO DISCUSS CVD REGULATIONS, AND POSSIBLY US ANTI-DUMPING REQUIREMENTS AND RELATED ISSUES, IN ADDITION TO DISCUSSIONS ON TRADE ASPECTS OF TRADE ACT TITLE IV. PARTICULARLY IF NYERGES IS PRESENT, DISCUSSION

ON MTN NEGOTIATIONS MIGHT ALSO BE USEFUL. SCHMIDT NOTED THAT DISCUSSIONS ON THESE SUBJECTS WOULD PROVIDE HELPFUL "COVER" TO AVOID UNDUE PUBLIC ATTENTION TO VISIT WASHINGTON BY HUNGARIAN TRADE OFFICIALS.

5. KOVACS WAS RECEPTIVE TO ABOVE SUGGESTIONS AND SAID EM-BASSY WOULD REPORT THEM TO BUDAPEST.

3. ACTION REQUESTED: DRAWING ON ABOVE PARAS, EMBASSY REQUESTED TO INFORM GOH THAT, IN LIGHT OF INTEREST AND QUESTIONS PREVIOUSLY EXPRESSED BY HUNGARIAN GOVERNMENT OFFICIALS CONCERNING PROPOSED NEW CVD REGULATIONS, ANTIDUMPING PROCEDURES, AND OTHER RELATED SUBJECTS OF INTEREST TO HUNGARIAN EXPORTERS, WE WOULD BE PREPARED TO RECEIVE HUNGARIAN TRADE EXPERT OR EXPERTS TO WASHINGTON FOR DISCUSSIONS ON THESE MATTERS. IN ADDITION, IF HUNGARIAN SIDE WISHES TO PURSUE QUESTIONS IN DETAIL

CONFIDENTIAL

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PAGE 04 STATE 107528

WHICH IT HAS POSED TO US REGARDING THE TRADE AND GATT ASPECTS OF TITLE IV, WE WOULD BE PREPARED TO HAVE KNOWLEDGEABLE OFFICIALS PROVIDE ANSWERS TO THOSE QUESTIONS AT THE SAME TIME. PLEASE ADVISE WHAT DATES WOULD BE CONVENIENT FOR HUNGARIANS. TALKS WOULD PROBABLY REQUIRE APPROXIMATELY THREE DAYS TO COVER ALL SUBJECTS CAREFULLY. APPROPRIATE US OFFICIALS WOULD BE AVAILABLE FOR DISCUSSIONS WEEK OF JUNE 13.

CHRISTOPHER

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## Message Attributes

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**Decapton Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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